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Also admitted in Massachusetts

March 17, 2021

VIA FIRST CLASS MAIL & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

**RE: Docket 4610 – The Narragansett Electric Company d/b/a National Grid
Electric Environmental Response Cost Report
Fiscal Year 2020
Supplemental Response to PUC Data Request 1-4**

Dear Ms. Massaro:

Enclosed please find one copy of National Grid's Supplemental Response to Data Request 1-4 issued by the Public Utilities Commission (PUC) in the above-referenced docket.

Thank you for your attention to this filing. If you have any questions, please contact me at (401) 709-3359.

Sincerely,



Steven J. Boyajian

Enclosures

cc: Docket 4610 Service List
John Bell, Division
Leo Wold, Division
Christy Hetherington, Esq.

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

The paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.



Heidi J. Seddon

March 17, 2020

Date

**Docket No. 4610 – National Grid – Electric Environmental Response Fund
Service List as of 9/29/2020**

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The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 4610
In Re: National Grid's Environmental Response
Fund Provision Fiscal Year 2020 Report
Responses to the Commission's First Set of Data Requests
Issued on September 28, 2020
Original Response on October 19, 2020
Supplemented on March 17, 2021

PUC 1-4 (Supplemental)

Request:

RIPUC No. 2173 (Environmental Response Fund Provision) states, "Any applicable insurance proceeds and any net gains (after transaction costs) associated with the sale or lease of land listed in section (D) shall be credited to the fund." If National Grid plans to sell or lease the Tidewater property, how will the proceeds be credited to the Environmental Response Fund (please explain any differences between a sale or lease)?

Original Response:

In the event the Company leases the Tidewater property, the lease payments received would be credited to the Environmental Response Fund (Electric) and the Distribution Adjustment Clause (Gas) (the "DAC"). As environmental costs are allocated 80 percent to Narragansett Electric and 20 percent to Narragansett Gas, the lease proceeds would be allocated to electric and gas at the same percentages.

If the Tidewater property were sold, any gain from the sales transaction, net of any transaction costs, would be credited to the Environmental Response Fund and the DAC, using the same 80 percent/20 percent allocation. Any loss on the sale of such property would be retained by the Company.

Supplemental Response:

In the event the Company leases the Tidewater property, the lease payments received would be credited to the Environmental Response Fund (Electric) (the "Fund") and the DAC. As environmental costs are allocated 80 percent to Narragansett Electric and 20 percent to Narragansett Gas, the lease proceeds would be allocated to electric and gas at the same percentages. Any transaction costs associated with the lease will be offset against the lease proceeds that are credited to the Fund and the DAC, also using the same 80 percent/20 percent allocation.

If the Tidewater property were sold, any gain from the sales transaction, net of any transaction costs, would be credited to the Fund and the DAC, using the same 80 percent/20 percent allocation. Any loss on the sale of such property would be retained by the Company.

The main difference between the treatment of proceeds received by the Company from a sale and a lease of property is that proceeds from a sale are generally paid in full at the date of sale, with the seller having no further ongoing obligations associated with the property. Leases can be structured in many ways, however, most typically require monthly lease payments, which can be fixed or variable, but are usually paid over the term of the lease. It follows that, when crediting the Fund and the DAC for a sale transaction, the Company would subtract the transaction costs associated with the sale from the net gain on sale, and it would credit the Fund and the DAC the remaining balance based on the appropriate allocations. Lease proceeds are different because they bring in monthly payments over time. The Company would credit lease proceeds, as received, to the Fund and the DAC and transaction costs would be offset as these proceeds are credited. Once the transaction costs have been fully offset, the remaining and future lease proceeds would continue to be fully credited to the Fund and the DAC based on the appropriate allocations.

Please see the tables below for illustrative examples of how the Company would expect to credit any proceeds from a sale or lease transaction.

Illustration #1 (Sale):	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Assumptions:
Net gain on sale - credit to the Fund/DAC	\$ (100)	\$ -	\$ -	\$ -	\$ -	\$ (100)	Sale proceeds received of \$150
Transaction costs previously incurred	\$ 10	\$ -	\$ -	\$ -	\$ -	\$ 10	Cost of property of \$50
Total net credit to the Fund/DAC	\$ (90)	\$ -	\$ -	\$ -	\$ -	\$ (90)	Net gain on sale is \$100
							Transaction costs incurred were \$10

Illustration #2 (Lease):	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Assumptions:
Lease payments received - credit to the Fund/DAC	\$ (25)	\$ (25)	\$ (25)	\$ (25)	\$ (25)	\$ (125)	5 year annual lease payments of \$25
Transaction costs previously incurred	\$ 10	\$ -	\$ -	\$ -	\$ -	\$ 10	Transaction costs incurred were \$10
Total net credit to the Fund/DAC	\$ (15)	\$ (25)	\$ (25)	\$ (25)	\$ (25)	\$ (115)	

Illustration #3 (Lease):	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Assumptions:
Lease payments received - credit to the Fund/DAC	\$ (7)	\$ (7)	\$ (7)	\$ (7)	\$ (7)	\$ (35)	5 year annual lease payments of \$7
Transaction costs previously incurred	\$ 7	\$ 3	\$ -	\$ -	\$ -	\$ 10	Transaction costs incurred were \$10
Total net credit to the Fund/DAC	\$ -	\$ (4)	\$ (7)	\$ (7)	\$ (7)	\$ (25)	